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UNCLAS BAGHDAD 005039

SIPDIS

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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PGOV](#) [IZ](#)

SUBJECT: IRAQI FUEL PRICES RISE BEFORE IMF DEADLINE

REF: BAGHDAD 4998

[11](#). (SBU) SUMMARY: The Government of Iraq (GOI) formally initiated fuel price increases across Iraq on December 18. These fuel price increases meet an essential IMF prior action for a Stand by Arrangement with Iraq. Demonstrations were reported in multiple locations in response to the price increases. The GOI informed us the price rises would stand in spite of the negative response of the demonstrators. The Deputy Prime Minister and the Ministers of Finance and Oil held an unscheduled press conference to calm the populace and explain the reason for the increases in the price of fuel.
END SUMMARY

[12](#). (SBU) The GOI officially initiated fuel price increases across Iraq on December 18. The price increase policy was implemented nationally to meet the IMF requirements according to Musab Al Khateeb, Chief of Staff of the Ministry of Finance. New prices in Iraqi Dinar (ID) per liter are as follows: LPG (Standard Cylinder)--600 ID (\$.40), regular gasoline--150 ID (\$.10), premium gasoline--250 ID (\$.16), kerosene--25 ID (\$.016), diesel--90 ID (\$.06).

[13](#). (SBU) Demonstrations against the new fuel prices were reported in the press at Al Kut and An Najaf. Concern about demonstrations and further unrest caused Deputy Prime Ministers Chalabi and Shawys, the Minister of Finance Allawi, and two other ministers to hold an unplanned joint press conference at 4:30 PM December 18 to calm the populace and explain the price rises. In a vivid demonstration used to show how cheap fuel is in Iraq, a bottle of water was used as a prop, with the accompanying comment that a bottle of fuel was cheaper. The point was also made that this price reform is a necessary part of fixing the economy of Iraq.

[14](#). (SBU) Price reports from gas stations and provincial officials in Hillah/Najaf and Tikrit provide additional confirmation of the initiation of the new prices for fuel across Iraq. No variations from the official government prices were reported. The Ministry of Oil reportedly is sending 200 technicians out across Iraq to adjust the prices on the pumps at the gasoline stations. That process is expected to take a week.

KHALILZAD